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FIRST COUNTRY COOPERATION FRAMEWORK FOR BULGARIA (1997-1999)

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INTRODUCTION

1. The present country cooperation framework (CCF) is the result of a consultative process among the Government, bilateral and multilateral donors, non-governmental organizations (NGOs) and UNDP, taking into account the results achieved and lessons learned during implementation of the fifth country programme, and public reactions to the analyses of Bulgaria's 1995 and 1996 human development reports. It outlines the strategy and areas of focus for maximizing the use of UNDP-managed resources over 1997-1999, in order to help Bulgaria on its road to transformation and sustainable human development (SHD).

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. In 1989 Bulgaria initiated a process of far-ranging political and socio-economic reforms, which gave rise to public expectations for rapid improvements in individual liberties and living conditions. Over the past six years, the most pivotal result of change has been considerable progress in building democratic institutions and in promoting basic human rights and civil liberties.

3. The country's initial economic reform programme of 1991 was bold and ambitious, including comprehensive price, trade and foreign exchange liberalization; restitution of land and urban property; initiation of privatization; and de-monopolization of segments of the large enterprise sector. The newly liberalized environment for private business fostered unprecedented growth of new private firms, and a number of debt reduction agreements reduced Bulgaria's external debt. The democratization of Bulgarian institutions, however, has resulted in constant debates among the large number of political parties. Such an environment, while being a positive indication of the country's serious commitment to the advancement of democracy and a truly participatory approach to governance, has contributed to a lack of consensus on various issues and has been instrumental in frequent changes of government.

4. The unstable political environment, and external events such as embargoes on neighbouring countries and important trading partners have disrupted the implementation of economic reforms, exacerbating the costs of transition and prolonging the period of adjustment. Delayed structural reforms and erratic macroeconomic policies have undermined credibility in economic management and discouraged foreign investment. As a result, Bulgaria's transitional recession has been deeper and longer than that of most other transitional economies. The cumulative decline of output during the first five years of the transition reached over 30 per cent.

5. The social cost of the transition in Bulgaria is one of the highest in Eastern Europe. According to its human development index value in the Human Development Report 1997, Bulgaria dropped in rank from 33 out of 160 countries in 1991 to 69 out of 175 countries in 1997. According to the most recent national statistics available, between 1991 and 1994, real disposable income fell by over 50 per cent, particularly affecting public sector wage

earners and all social security recipients. The plight of elderly pensioners (25 per cent of the population) has significantly worsened. In 1994, unemployment peaked at 20.5 per cent of the labour force, affecting mainly the young, the low qualified, the handicapped and certain ethnic communities.

6. Unemployment levels among some ethnic communities were higher than the national average in 1994. The fact that these communities are concentrated in specific regions and economic activities has resulted in the emergence of pockets of unemployment and extreme poverty in several parts of the country and in a number of the neighbourhoods of many Bulgarian cities. The reduction of manufacturing and agricultural activities, which typically employ a large number of women, resulted in women constituting 48 per cent of those unemployed in 1994, and a growing majority of the long-term unemployed.

7. Unemployment is higher in rural areas than in the urban centres where some 68 per cent of the population lives. While these centres offer greater opportunities for employment, they are characterized by a sharply deteriorating quality of life. Pollution, congestion, pockets of extreme poverty and crime are among the major problems faced by urban centres. In 1994, the number of annually registered crimes averaged 220,000 as opposed to 50,000 in the 1980s.

8. The environmental legacy of decades of authoritarian rule placed Bulgaria among the most polluted countries in Europe. The transitional crisis has resulted in the relative improvement of certain environmental parameters, but the devastation already wrought is so grave that it will take decades and considerable resources to eliminate the impact of pollution on health and the quality of life.

9. Declining material well-being and the quality of life have been accompanied by a decline in key social demographic and health indicators. In 1994, the birth rate reached a historic low of 9.4 per 1,000 inhabitants, compared to 14.5 per 1,000 in the early 1980s. The mortality rate increased from about 8 per 1,000 inhabitants in the early 1960s, to 13.6 per 1,000 in 1995.

10. While the economy showed signs of recovery in 1994 and 1995, it plunged into recession again in 1996 with a 10 per cent fall in gross domestic product (GDP) accompanied by a general surge in inflation that hit 311 per cent. Real salaries in the public sector and pensions declined by over 60 per cent, reducing the average wage to only $20 per month in early 1997, one of the lowest levels in the world. Employment dropped over 8 per cent in 1996. Over the winter of 1996-1997, the minimum subsistence requirements exceeded not only the nominal value of all social security payments, but also the average wage of public sector employees, meaning that well over 3.5 million adults (accounting for 30 per cent of Bulgarian households) had difficulties in meeting their basic needs.

11. The socio-economic crisis took on a political dimension at the end of 1996. The Government resigned in December and a caretaker Government was appointed by the President in February 1997. General elections took place in April 1997. The caretaker Government has reached an agreement with the international financial institutions on a programme of stabilization and reform involving the establishment of a currency board as a radical measure to stabilize the economy.

Other components of the programme include: (a) financial and banking sector reforms; (b) liquidation of non-viable state enterprises, accelerated privatization and tariff adjustments for public utilities; and (c) price and trade liberalization. The programme is expected to lead to some 160,000 job losses and further cuts in social expenditure in an already alarming social context. For this reason, the programme also envisages strengthening the social safety net by consolidating programmes and better targeting.

II. RESULTS AND LESSONS OF PAST COOPERATION

12. With the establishment of a UNDP country office in 1993, the overall responsibility for management of UNDP operations was shared with the Government. The bulk of UNDP interventions have sought to achieve three development objectives: (a) poverty alleviation; (b) employment promotion; and (c) environmental protection, as well as to broaden the policy dialogue on Bulgaria's transition.

13. With the 1995 and 1996 publications of the highly successful human development reports for Bulgaria, UNDP contributed to an analysis of the human dimension of the transition. One gateway for the alleviation of poverty within the fifth country programme was assisting the Government to integrate social development as an essential element of its reform policies. A white paper on social security that was formulated with UNDP/International Labour Organization (ILO) assistance, constituted the policy framework of a social security reform project now supported by the World Bank. UNDP is also currently contributing to the implementation of the National Programme for Social Development, prepared as a follow-up to the Declaration and the Programme of Action for Social Development of the 1995 Copenhagen World Social Summit.

14. The fifth country programme assisted the Government develop sustainable solutions for combating unemployment at the local level. The Razlog Business Promotion Centre, created with UNDP/ILO and Netherlands Government funding, is among the most successful private small- and medium-scale enterprise (SME) promotion initiatives in Bulgaria. The previous programme also had a gender perspective. The Women in Development Unit, established with UNDP/United Nations Office for Project Services assistance at the Ministry of Labour and Social Welfare, has contributed to the promotion of gender equality in the economic and social spheres.

15. The strategic niche of UNDP interventions in the environmental field has been in water pollution management and protection. Additional resources for environmental protection activities have also been attracted: $200,000 of central UNDP funds have been approved for a Capacity 21 programme. The Gabrovo Energy Efficiency Demonstration Zone project will receive $2.6 million funding from the Global Environment Facility (GEF). Altogether, the programme mobilized 1.8 times its indicative planning figure (IPF) resources ($4.7 million), which enabled it to broaden its scope and increase its depth.

16. The fifth country programme was particularly active in the preparation of and follow-up to various United Nations global conferences, including the World

Summit for Social Development, the Fourth World Conference on Women, and the Second United Nations Conference on Human Settlements (Habitat II).

17. The experience of the fifth country programme revealed that, in view of the active involvement of several donors and international organizations in the field of macroeconomic stabilization policy and structural reform, one area in which the comparative advantage of UNDP could be most effectively exploited is in alleviating the social impact of reforms and the decline in the quality of life. The national human development reports in 1995 and 1996 indicated that an essential condition for the success and sustainability of reforms is good governance. Governance is another area where UNDP has a strong comparative advantage and a strategic niche for its activities in Bulgaria.

18. The previous programme launched a number of local pilot initiatives that have shown that when activities are designed and implemented with the participation of NGOs, municipalities and other local actors, they are more likely to produce greater impact and value added. These experiences represented a positive start in the direction of applying the programme approach, which constitutes a more effective framework for coordination, management and resource mobilization. Intersectoral cooperation among national entities and external aid coordination on the part of the Government, however, need to be stronger for a systematic adoption of the programme approach in the present CCF.

19. UNDP will further promote the national execution modality to achieve greater national ownership, cost-effectiveness and sustainability. The fifth country programme revealed, however, that a clearer understanding of roles, procedures and responsibilities under this modality is still needed. While past UNDP assistance has undoubtedly contributed to national development efforts, there is a need to integrate impact indicators into UNDP projects as a means of demonstrating their contribution to the general welfare.

20. The previous programme showed that the comparative advantages of UNDP in terms of neutrality, easy access to the best national and international expertise, and the flexibility of its rules and procedures, make it an ideal partner both for the Government and the donor community to achieve efficient and timely programme implementation. The benefits derived by Bulgaria from these comparative advantages can be significantly enhanced by the multiplication of joint programmes with the Government and other donors.

III. PROPOSED STRATEGY AND THEMATIC AREAS

21. Careful analysis of Bulgaria's current human development situation in relation to the UNDP mandate, the results and lessons learned from the fifth country programme, and the activities of other donors, has revealed that the benefits of UNDP assistance under the present CCF can be best maximized if this assistance is concentrated in two thematic areas: (a) reversing impoverishment and the decline in quality of life; and (b) good governance for SHD.

22. The mechanisms for implementing this strategy will put a particular emphasis on supporting policy dialogue on key transition issues and SHD through the annual national human development reports and a human development report for

Sofia. UNDP will include an umbrella project for each thematic area to assist the Government in the diagnosis of development problems and in the formulation of policies taking into account successful international practices. UNDP will further extend the pilot project approach as a mechanism for programme formulation and as a way of mobilizing additional donor support. UNDP will also strengthen its role as a source of development services to the Government on the basis of its comparative advantages as a neutral United Nations agency with a proven track record of development management capacity. Stronger linkages and synergies will be developed between UNDP-assisted national initiatives and UNDP regional programmes, so as to have complementary and mutually supporting activities that favour impact. The technical cooperation among developing countries (TCDC) modality will be used as appropriate. The UNDP Sofia country office recently became a UNDP centre of experimentation focused on United Nations coordination through which UNDP will further develop the tripartite cooperation among the Government, United Nations agencies, and UNDP to promote a coherent, adapted and efficient United Nations response to Bulgaria's challenges.

A. Reversing impoverishment and the decline in the quality of life

23. Challenges and policies. The economic and social developments outlined in the first section indicate that a major challenge for national authorities over the next few years will be to address, in the most efficient and effective way, potential sources of social tension and threats to human security. The National Programme for Social Development (NPSD) aims at the achievement of stable social development through: (a) income policy; (b) conducting active labour market policies; and (c) social integration of dependent groups of the population.

24. Urgent implementation of the incomes policy component of this programme has already begun. A special targeted social assistance scheme was made effective in September 1996. It aims at providing income transfers to 2 million people to enable them to meet their subsistence requirements for the winter of 1997-1998. The Government is also about to launch, with the support of the World Bank, a social insurance administration reform project. The main measures envisaged in the NPSD to strengthen existing active labour market policies include the promotion of SMEs through incentives for entrepreneurship, and the establishment of information systems for business services and consultancy centres. The NPSD also contains a programme of action that, in cases of mass dismissals, will conduct courses for labour retraining and incentives for self-employment among other initiatives.

25. The NPSD also envisages a number of local programmes to help certain ethnic communities adapt to the new economic and social conditions. The national action plan, prepared in implementation of the commitments of the Fourth World Conference on Women, contains a number of strategic objectives and priorities to promote women's rights and equal gender access to economic/political power and social services.

26. The National Health Care Strategy recognizes that the state of the environment is an essential component in improving the quality of life. The

Environment Strategy of Bulgaria aims at minimizing air, soil and water pollution to the limits of admissible concentrations as a means to protect the health and social well-being of the population. All the above government policies recognize that civil initiative and cooperation with the State are a prerequisite for the success of activities.

27. UNDP interventions. UNDP will intervene to assist implementation of key components of the above-mentioned policies under four sub-themes: (a) policy analysis and formulation; (b) social integration; (c) employment promotion; and (d) environmental protection and regeneration.

28. Policy analysis and formulation. Two projects were initiated during the previous programme to respond to the need for careful analysis and measurement of poverty in Bulgaria's transitional context. UNDP will also launch a strategies and options umbrella project that will enable a timely and flexible response to emerging needs and priorities in the field of social protection, employment promotion, regional balance and food security.

29. Social integration. UNDP assistance will essentially target the elderly, women and certain ethnic communities. The aforementioned World Bank-supported social insurance administration project aims at providing income security to Bulgaria's large and growing number of pensioners. UNDP will assist the institutional capacity strengthening component of this project. UNDP will also contribute to the promotion of a gender balanced transition through the launching of a gender-in-development project. UNDP will also initiate a pilot programme in support of government initiatives to promote the social integration of the ethnic communities in a selected poor area of the country.

30. Employment promotion. UNDP will launch a pilot programme of business simulation in Bulgarian secondary schools as a means to promote the entrepreneurial spirit of the younger segments of the population. UNDP will expand the services provided by the Razlog Business Promotion Centre and replicate this successful initiative to other regions of Bulgaria. A temporary employment and vocational training scheme will also be conducted in Sofia with UNDP assistance. UNDP, jointly with the French Government, will continue to assist in the preparation of a programme for the rebuilding of Bulgaria's wine producing industry to enable it to be one of the engines for agricultural employment generation.

31. Environmental protection and regeneration. UNDP will assist in implementation of the GEF-funded Gabrovo Energy Efficiency Demonstration Zone Project. The implementation of the Maritza River Basin Water Quality Protection and Management Project will continue, and UNDP will explore other areas of assistance with the Government, including the promotion of environmental management systems, clean technologies, and environment and health.

B. Good governance for sustainable human development

32. Challenges and policies. Analyses of the 1995 and 1996 national human development reports show that the transition process also requires a change in attitudes and mentalities to enable the emergence of a new system of social

relations. Bulgaria has most of the natural and human resources required for development. What is still missing is the social organization that can efficiently combine these resources to achieve the country's objectives. This means that many of the efforts to promote good governance should not only be aimed at the functioning of the State and the economy, but also at civil society.

33. One mechanism to promote societal change is participation. In Bulgaria, despite the existence of a large number of civil society organizations, the extent of participation is still limited compared to other countries. Greater involvement of civil society in fundamental policy debate, besides facilitating and accelerating changes in mentalities and attitudes, can also be a means to (a) greater understanding of the reform process and its benefits; (b) greater public ownership of reforms; (c) achieving a consensual vision on a model of society for Bulgaria; and (d) making government policies more responsive to this vision. Policy dialogue and participation are factors of social cohesion, political stability and continuity in government policy, which in turn are essential conditions for economic success and social development.

34. The other challenge Bulgaria faces is the adaptation of its administrative structures and organization to the conditions of democracy, market economy and European integration. This includes stronger policy-making capacity, administrative efficiency and transparency, decentralization, and coordination among institutions and with the donor community. An administrative reform programme is currently being implemented by the Government to achieve the above objectives.

35. A necessary condition for Bulgaria's pursuit of economic development and social progress is the existence of a peaceful and stable regional environment. Recent events in the Balkans have revealed that transition can be a source of conflicts that can jeopardize national development efforts. The July 1996 Sofia Meeting of the Ministers of Foreign Affairs of Countries of South-Eastern Europe, resulting in the Sofia Declaration on Good-Neighbourly Relations, Stability, Security and Cooperation in the Balkans, constituted a major step towards strengthening cooperation and security in the region. Bulgaria has also made a strong political commitment to integrate into the European Union (EU) and is in the process of adapting its legislative and administrative structures to EU standards.

36. UNDP interventions. UNDP will intervene under four sub-themes to assist the Government and civil society in addressing the above challenges: (a) policy analysis and formulation; (b) civil society participation; (c) management efficiency; and (d) international repositioning.

37. Policy analysis and formulation. UNDP will launch a methodologies and analyses umbrella project that will provide timely information and high quality analyses to support government efforts for a constructive policy dialogue with civil society and international partners. The project will provide the required flexibility to respond to new and rapidly emerging needs and priorities. It will be composed of five modules: (a) national human development reports; (b) a human development report for Sofia; (c) human security and national

aspirations reports; (d) development cooperation reports; and (e) emerging needs.

38. Civil society participation. The Capacity 21 programme will be an instrument to promote a constructive policy dialogue to identify the Bulgarian specificities of SHD and the appropriate approaches to achieve it. The programme will include: (a) integration of SHD issues into Bulgarian schools; (b) mass media awareness-raising and training on SHD; and (c) two pilot models for sustainable community development involving local authorities, NGOs and the private sector.

39. The chitalishte is a traditional expression of community organization in Bulgaria. Given its unrivalled social prestige and geographical penetration, it could stimulate the emergence of a vibrant civil society, organize and channel the consensus needed for the implementation of reforms, and promote solidarity and social cohesion. UNDP will initiate a pilot project to explore the chitalishte's potential to become a centre for grass-roots community participation and development, and a channel for the promotion of SHD.

40. Management efficiency. UNDP will assist the information and communication component of the Administrative Reform Programme, which aims at the application of information technology to improve policy-making, the quality of services to the public, and transparency. UNDP will intervene in the framework of a sustainable development network programme, which will provide Internet connectivity to the Government, academic institutions and NGOs. The programme will enable a timely and cost-effective exchange of information between decision makers, and will facilitate public access to state legislation. In addition, the programme will provide another mechanism for a substantive dialogue among NGOs and between NGOs and the State on SHD. UNDP will also assist the Government in the establishment of a development assistance information unit to collect, electronically process and disseminate donor assistance data as a means to contribute to a more efficient and strategic use of external resources. UNDP will explore with the Government other areas of support to administrative reform efforts, including in relation to decentralization and administrative simplification.

41. International repositioning. A UNDP-assisted project will identify areas of regional interest with strong cooperation potential among neighbouring countries, with the aim of supporting the formulation of a regional cooperation and conflict prevention policy. The project will also include a capacity-building component targeted at Ministry of Foreign Affairs officials to enhance their skills in the field of preventive diplomacy. Finally, it will contain a flexible component to respond to emerging needs related to EU access.

IV. MANAGEMENT ARRANGEMENTS

42. Execution and implementation. In order to strengthen and generalize the national execution modality, UNDP will train its future direct project and programme counterparts on the relevant UNDP rules and procedures. The services of the United Nations specialized agencies will continue to be used as required for the implementation of specific project and programme components.

Cooperation with NGOs will be further expanded, particularly in relation to local-level initiatives.

43. Monitoring and review. Regular monitoring of the implementation of the CCF will be undertaken by the Local Programme Advisory Committee (LPAC) in which key government counterparts, will participate, along with NGO representatives, United Nations agencies, and donors directly involved in UNDP programme areas. A comprehensive review of the CCF will be undertaken at the mid-term point and at the end of the three-year financial resources framework. These reviews will be based on an independent assessment of performance by sub-theme gauged by built-in project monitoring information and impact indicators, as well as performance criteria indicated in individual programme outlines.

44. Resource mobilization. Resources required to finance initiatives under each thematic area will be mobilized from both UNDP core and non-core funds, and it should be possible to meet a 3:1 non-core to core resources ratio.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR BULGARIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	684	
TRAC 1.1.1	520	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	700	
Other resources	1 587	In line with decision 95/23, paragraph 19.
SPPD/STS	210	
Subtotal	3 701[a]	
NON-CORE FUNDS		
Government cost-sharing	360	
Sustainable development funds Global Environment Facility Capacity 21	2 775 of which: 2 575 200	
Third-party cost-sharing	4 055	
Funds, trust funds and other	20	Poverty alleviation
Subtotal	7 210	
GRAND TOTAL	10 911[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; TCDC = technical cooperation among developing countries; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.